

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA 85251
MARCH 20, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffman, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
Kate Birchler, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Paul Katsenes
Kroy Ekblaw
Bob Tunis
Lusia Galav

GUESTS: Rachel Sacco, SCVB
Brent DeRaad, SCVB
Dan Gruber
John Sather
Melinda Gulick
Mike Nolan

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffman called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

2. Approval of Minutes

- February 14, 2012 Regular Meeting

COMMISSIONER BIRCHLER MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 14, 2012 REGULAR MEETING AS PRESENTED. COMMISSIONER SCHOLEFIELD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

3. Staff Liaison's Report

a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that January bed tax collections were down 5% from the previous January, sales tax revenue from the hotel/motel sector was down 4%, miscellaneous retail sales tax revenue was up 2% and restaurant was up 5%. Year-to-date, the bed tax is up 7%. In terms of property classification, resorts were up 2.6%. The BCS game occurred last January, which could explain the 5% drop this year. Commissioners indicated that the first quarter is looking good so far in all sectors, and business is increasing.

b. Bed Tax Proforma

Mr. Geiogamah noted a slight change to the proforma this month. A column has been added to indicate what is available to date on specific expenditure and revenue items. This information will provide the Commission with a better perspective on the dollars remaining at the end of the fiscal year.

Ms. Guillory explained that the projected unspent carryover of \$1.4 million assumes that one of the capital pie wedges is spent. If that wedge is not spent, the carryover projects are projected to be about \$2.1 million at year's end. It also assumes that the new event development, event retention, and administration categories fully spend their allocations.

c. Smith Travel Report

Mr. Geiogamah said report revisions have been made and the report reflects recent inventory property changes. Three new properties were added, and six dropped because they were not reporting data. Occupancy was down for January. The average daily rate was up 1.1% year-to-date, and RevPar is up over 2%.

Chairman Hoffman asked why the report contains hotels that are not in Scottsdale. Mr. Geiogamah explained the report includes properties that are in the Scottsdale market area. While not all properties listed in the report pay Scottsdale bed tax, they do impact the market area. Chairman Hoffman suggested that a second category be added to track purely Scottsdale-based hotels. Commissioner Richard agreed, saying a second report would not cost much more money.

Ms. Sacco explained that The Phoenician and Talking Stick are included because most of the visitors who stay at those resorts believe they are in Scottsdale. The Westin Kierland is included because the SCVB has a marketing agreement with them. This practice has been consistent over many years and she felt a complete report better reflects the impact of the SCVB's marketing effort. Commissioner Surguine suggested comparing the STR report and bed tax reports to determine whether enough differential exists to justify spending money on another one.

Mr. Geiogamah noted that a STR market segmentation report is now being included in the monthly reports. Commissioner Richard noted that the transient sector dropped 4.4% in terms of occupancy in January, which is related to the BCS game last year. ADR dropped 5.2% in transient, and February will likely see a positive RevPar gain.

Mr. Geiogamah presented an ad hoc report showing daily tracking for January and February, which is useful for tracking the impact of a special event or a large group meeting in the market area.

d. Program Updates

Mr. Geiogamah said the five-year tourism development marketing strategic plan update will be presented City Council's Economic Subcommittee on April 12. The Desert Discovery Center is scheduled for a City Council work session on March 27. City Council will nominate applicants to replace Commissioner Birchler on April 3, with an appointment to be made on April 17.

Mr. Geiogamah expressed the City's appreciation for Commissioner Birchler's six years of service, and presented her with a gift. Commissioner Birchler said it has been an honor and a pleasure serving on the Commission, and encouraged the TDC to continue doing great work.

4. Fiesta Bowl and P.F. Chang Rock 'n' Roll Marathon Performance Recap

Ms. Sacco presented data demonstrating the importance of special events in terms of raising occupancy numbers, particularly at times when group business is slow. The numbers illustrate that Scottsdale's ability to capture a strong percentage of Fiesta Bowl visitors has had a significant impact. This year, Scottsdale was 17% higher in occupancy, 42% higher in rate, and 52% higher in RevPar. Without a BCS game in the Valley this year, the change from 2011 to 2012 was significant.

Ms. Sacco said the Rock 'n' Roll Marathon has changed significantly over the last ten years. When the City started its agreement with Elite Racing, Scottsdale was one of only a handful of hosts in the country, and occupancy really benefitted. There are now 25 Rock 'n' Roll Marathons, many in communities that used to feed Scottsdale. Occupancy has declined every year, and this has affected the City's return on investment. One year remains on the current contract, and the SCVB is preparing a recommendation for moving forward

Ms. Sacco reported that in 2012, Scottsdale had an 81% occupancy during the week of Barrett-Jackson, and the rate was \$181. On the main night of that event, occupancy was 94.8%. The only other events that can generate such numbers are BCS games and Super Bowls. Compared to the rest of the metro area, Scottsdale had a 21% positive differential in occupancy, a 39% differential in rate, and a 52% advantage in RevPar.

5. Tony Nelssen Equestrian Center at WestWorld – Expansion Project

Mr. Katsenes reported that the City commissioned Crossroads Consulting to identify national events that could be lured to the expansion project at WestWorld. The company found 24 national events that could have their needs met by an expanded facility. Three current WestWorld event producers indicated that an expanded facility would make it easier for them to produce their events, and allow them to expand their shows in future years. The study also considered events that have either have been

held at WestWorld in the past, or events that are currently using other local venues and would consider a move.

The project took a new direction six weeks ago when the suggestion was made to turn the Tony Nelssen Equestrian Center into a multi-use facility. This would entail expanding the North Hall to 125,000 square feet and building a permanent structure over the existing Equidome. The center would also feature the South Hall, a paddock and stalls. The entire facility would have about 300,000 square feet under roof. This expansion would allow events to set up in a shorter period, and two smaller shows could occupy the space at the same time, leading to greater efficiency and an increased number of event days. The center would offer a dirt floor for equestrian events and a hard floor for other types of commercial events. Construction will take two years, as the work will have to be done in between shows.

Mr. Katsenes said Barrett-Jackson, the Arabian Horse Show, and the Arizona Quarter Horse Show were asked to submit their preferred dates for the next 20 years. Only three years resulted in conflicts. All three producers indicated a willingness to back up the project with \$360,000 above their rent, to cover debt service, and agreed to settle the conflicts.

Mr. Katsenes said the expanded facility would positively affect room nights, the Airpark, and restaurants in Scottsdale. The City intends to issue an RFQ to find the best national company to market the expanded facility and fill its expanded calendar. The center would provide a significant amount of long-term employment. Mr. Katsenes requested that the TDC consider allocating two slices of the bed tax capital fund to the project.

Commissioner Birchler said the TDC is in support of the Tony Nelssen Equestrian Center, but questioned why the funding has to come solely from bed taxes. A substantial amount of bed tax dollars have already been dedicated to the equestrian center, and some of that was allocated without consulting the TDC. The Commission is tasked with making recommendations to City Council on how bed taxes should be expended.

Commissioner Surguine asked whether the two slices would be used in forgiveness of the previous arrangement, which was essentially a loan. He noted the meeting the TDC had with the Mayor, the City Council, and staff several months ago in which it was very clearly stated that the TDC's role is to advise Council on these types of matters. The Commission cannot advise unless they are given an opportunity to do so. Commissioner Birchler added that the TDC did make a recommendation on the Tony Nelssen Center, but that recommendation never made it to the City Council.

Commissioner Surguine clarified that he does not oppose the Tony Nelssen Center, and the Commission has been unfairly categorized as opposing it. The Commission has never been given the requested information on the project, and has never been asked to make a recommendation to Council. He called the purpose of the Commission into question.

Mr. Katsenes said the TDC recommend unanimously in June to move forward with the equestrian center. Chairman Hoffman clarified that the June recommendation was based on the project as it existed at that time. The expanded project is significantly

different than the one presented in June, and its financial ramifications are completely different. If the Commission is to actively participate in the process going forward, the process has to be transparent. Knowing that City Council intends to make a decision later in the day, there appears to be limited interest in having the TDC clearly understand what it is they are recommending. Commissioner Birchler noted that the June recommendation contained caveats, including recommending a cap on the expenditure. That point was not made to the City Council.

Chairman Hoffman said he was unable to get answers he was looking for from staff, so he decided to do his own research by contacting the ten largest Scottsdale only hotels. With the exception of Barrett-Jackson, only 20% of the hotels were able to identify revenues that directly stemmed from WestWorld shows.

Chairman Hoffman expressed concern that all of the bed tax money is being spent on one project, even though there is no substantial evidence that equestrian events drive tourism or bed tax dollars. Many of those who travel to horse shows, stay in their own accommodations. The January report did show that the limited service hotel category saw a jump, but the luxury resorts did not. There is no evidence that this project can carry itself going forward. The events to be added to the WestWorld schedule are Arizona shows, which means they will probably not need hotel rooms.

Mr. Katsenes said even those who bring their own trailers will have a need to entertain in resorts and hotels, and will be contributing sales tax to the City. The STR report shows that the Arabian Horse Show has 73% occupancy the week before, and 83% the week of the event. Barrett-Jackson occupancy goes from 68% the week before, to 81% the week of.

Vice Chairwoman Glenn said she would feel more comfortable knowing that the expansion would attract shows of a national reputation that would generate room nights throughout the year. Local and regional shows will not have the same impact. Mr. Katsenes said the motivation for hiring a consultant is to generate national business of all types.

Commissioner Richard questioned the wisdom of building a facility and marketing it before it is certain that it would fit the needs of many event producers, rather than just the three that are already there. Does Populous have the background to build a convention center that would cater to trade shows? Other projects that are being considered for bed tax capital funds have been thoroughly tested, but the City appears intent on moving forward with this project, despite the lack of testing.

Chairman Hoffman stated that the TDC does indeed support the project and would advocate for it. Their concern is that the project is too small to be effective. He would rather see a more expensive project so long as it had the potential to be the best facility of its type in the Southwest. Instead of the City having to go look for business, business would come to WestWorld.

Ms. Sacco said that when Prop 200 passed, the purpose of the money was to create a sustainable marketing program, and to ensure that the City could build a tourism legacy for the future. Prop 200 money could potentially help create three outstanding programs: the Tony Nelssen Center, the Desert Discovery Center, and the Museum of

the West. She felt all three projects should receive a bed tax allocation so that the public knows they are spoken for.

Mr. Geiogamah said the TDC could opt to make another recommendation, or simply provide comments related to the City Council presentation. He noted that the TDC's recommendation in June was included in the City Council presentation that evening. Commissioner Birchler reiterated that while the TDC voted to move the project forward and did allocate money to it, the recommendation came with the caveat that the bed tax funding portion be capped.

Chairman Hoffman expressed doubt that the TDC's recommendation was presented on February 14, because five City Council Members said they had no knowledge of it. Mr. Millar noted that other Boards and Commissions typically appear in person before Council to present their recommendations. There is tremendous value in that practice, since it gives Council the opportunity to engage in a dialogue. Commissioner Birchler said the TDC's understanding has been that staff will serve as their liaison to Council, but she would prefer that the Commissioners appear before Council in person.

Chairman Hoffman said the TDC's primary concern is that the new bookings generated by an expansion drive City revenues. Mr. Katsenes responded that staff consulted economic impact professionals, including universities and national horse associations. The truth is that show length determines whether people go home or stay in hotels. If a show is longer than two days, people tend to stay. Chairman Hoffman said the TDC agrees that equestrian and car events are a strong base for business. The concern is over whether this facility can compete to attract the kind of events that will really make a difference.

Mr. Katsenes reviewed that City Council will be asked to take three different actions at the meeting later in the day: to report back on the finances, to make the initial purchase of steel, and to make a reimbursement agreement to replenish the General Fund from the bond issue when it is sold. Chairman Hoffman reiterated that two components of construction could move forward without confirmation of the center's potential to attract national shows.

Commissioner Scholefield said that by remaining silent, the TDC would essentially be endorsing the use of two bed tax wedges on this one project, in addition to the debt forgiveness. He suggested making a motion supporting the expansion and growth of the equestrian center, under the original premise of the Commission, which suggested a \$600,000 cap. Commissioner Surguine felt that considering the imminent vote, the TDC's new recommendation should focus on the scope of the project, instead of the dollar amount.

Chairman Hoffman stated that the facility should try to attract the types of shows that Scottsdale cannot currently get. The research that exists today does not warrant ordering steel. Mr. Katsenes said the RFP contains a complete research component that would address this issue. He advised against losing the immediacy of the construction period, and risking the momentum that has been built to date, including the interest shown from national shows. Vice Chairwoman Glenn felt that the facility should be well defined before funds are released for its construction.

COMMISSIONER SCHOLEFIELD MOVED TO SUPPORT THE EXPANSION OF THE TONY NELSEN EQUESTRIAN CENTER AFTER A FURTHER PERIOD OF DUE DILIGENCE FOCUSED ON ADDITIONAL RESEARCH TO DETERMINE THE POTENTIAL SCOPE OF THE CENTER, ABOVE AND BEYOND EXISTING TENANTS, BEFORE ANY BUILDING MATERIALS ARE ORDERED. COMMISSIONER SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

6. FY2012/13 Destination Marketing Preliminary Scope of Work

Ms. Sacco presented a draft response to the RFP. She noted that she would present a more complete version at the April 17 TDC meeting. The draft addresses all areas that the TDC recommended the SCVB participate in for the destination scope of work.

COMMISSIONER BIRCHLER MOVED TO APPROVE THE FY2012/2013 DESTINATION MARKETING PRELIMINARY SCOPE OF WORK. COMMISSIONER SURGUINE SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

7. Tourism Development and Marketing Five-Year Strategic Plan

Mr. Geigamah presented the RFP for the City's Tourism Development and Marketing Five-Year Strategic Plan. The plan includes an analysis of competitive markets, identification of emerging markets, and looks at events in the City's Tourism Program. The proposal also outlines the project, outlines the tasks being performed, and details the consultant qualification and selection criteria. He requested that two members of the TDC volunteer to serve on the consultant selection panel, which will meet in late April. Once the consultant is selected, the two Commissioners will be asked to continue to serve to help guide the consultant through the six-month process. Vice Chairwoman Glenn and Commissioner Scholefield volunteered to serve on the panel.

8. FY2011/12 Scottsdale Special Event Work Plan

Mr. Geigamah reminded the TDC that in November, staff presented an informal event work plan. He briefly reviewed the progress that has been made in implementing that plan. Once a structured plan will be formalized it will be reviewed by the City Council's Subcommittee on Economic Development.

Chair Hoffman explained that City Council requested that staff identify the best way to move the work plan forward. Commissioner Surguine said he is excited about the work plan, but felt that the Commissioners should be kept up to date on developments if they are expected to be spending their time on the work plan, instead of hearing about them after decisions have already been made. Mr. Millar responded that staff tries to keep the Commission informed of developments as they occur, but oftentimes things change very rapidly. Communication is always a challenge in any organization, especially one the size of the City of Scottsdale. Staff is committed to share information with the TDC as soon as it is available.

Chairman Hoffman noted that no event consultant identified in the plan has taken place yet. Mr. Millar explained that if City Council decides to move forward with an event marketing consultant, staff would return to the TDC to discuss what the scope of work would look like. Commissioner Surguine said that the TDC should have been consulted if it is to fulfill its assigned role.

Ms. Sacco announced that Brent DeRaad has accepted a new position in Tucson, and will be leaving the SCVB in April. She suggested a meeting to discuss the best way to move forward with special events in light of this development.

9. Desert Discovery Center Phase III Update

Commissioner Bailey said the DDC is an extremely valuable project, and the extensive research that has been done on it verifies that.

Mr. Ekblaw stated that the DDC Phase III Subcommittee recommended that \$60,000 from the bed tax fund be allocated to the DDC project to cover transitional costs until an operator is selected.

COMMISSIONER SURGUINE MOVED TO RECOMMEND TO RESERVE AN ALLOCATION OF CAPITAL PROJECT FUNDS FOR THE DESERT DISCOVERY CENTER PROJECT, SUBJECT TO A SUCCESSFUL PUBLIC BOND MEASURE AND PRIVATE FUNDRAISING CAMPAIGN. COMMISSIONER BIRCHLER SECONDED.

COMMISSIONER SURGUINE MOVED TO AMEND HIS RECOMMENDATION. AMENDED RECOMMENDATION IS A ONE-TIME ALLOCATION OF \$60,000 FOR CONTINUED OPERATIONS ASSOCIATED WITH THE DESERT DISCOVERY CENTER PROJECT PLUS A \$600,000 PLACEHOLDER SLICE SUBJECT TO A SUCCESSFUL PUBLIC BOND MEASURE AND PRIVATE FUNDRAISING CAMPAIGN. COMMISSIONER BIRCHLER SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

10. Identification of Future Agenda Items

Chairman Hoffman reviewed that future agenda items will include how to best move forward with the event process. Commissioner Surguine suggested an item to discuss how City Council should spend carryover dollars. Commissioner Scholefield suggested a potential special meeting to follow up on the outcome of the City Council's decision regarding the Tony Nelssen Equestrian Center.

Ms. Sacco said the Super Bowl Host Committee met with the consortium members associated with the collection of the Prop 302 funds. As part of that agreement, the Hotel Association agreed to the tax, provided they could get a part of it back for marketing purposes. The allocations of Prop 302 are being used by the Committee to determine the percentages to be paid for the Super Bowl by each community. The Host

Committee is looking at a \$20 million budget for the Super Bowl, and is asking all of the communities to jointly provide \$3 million.

Ms. Sacco said Scottsdale/Paradise Valley makes up about 27.6% of the gross room sales, and their pro rata share is \$828,000. Scottsdale's portion would be \$645,840, while Paradise Valley's portion would be \$182,000. The Host Committee has agreed not to come back to request any additional money. The TDC could opt to assess the amount in one, two, or three installments. Three installments would amount to \$215,280 in each year of 2013, 2014, and 2015. The BCS game is expected to rotate to the Valley in 2015, and those payments could be amortized as well. An annual payment is also required for the annual Fiesta Bowl in 2015.

Ms. Sacco suggested the TDC agendaize an action item on the Super Bowl, the BCS, and the Fiesta Bowl payments before the SCVB's program of work and contract is finalized.

11. Public Comment

There were no public comments.

12. Adjournment

DDC Chairman Nolan thanked Commissioner Birchler for her service to the TDC.

The meeting adjourned at 9:58 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.